

Sulzer Ltd – General Assembly 2009

Review of the year by Ton Büchner, Chief Executive Officer

Dear Shareholders,

The power of Sulzer was the key message of my speech in the past year. This power has made this company 175 years old. Although your mind is probably more focused on other topics today, please allow me a brief moment to show the business results this company has delivered in 2008 and why this power has proven successful once again.

The key items are:

- Sulzer has a long tradition, but has remained flexible to adapt to the realities of the new world – and I am convinced we will be able to do so again;
- We have achieved great results in 2008, although the markets deteriorated markedly toward year-end;
- We have strong values which form a foundation going forward.

We have good reasons to celebrate our 175th anniversary. With our employees and customers, we will celebrate in various locations around the world in a manner appropriate to the current economic environment.

Sulzer attained a great deal in 2008, with excellent results for the year.

Order intake increased by ten percent, disregarding currency exchange effects due to the strong Swiss franc. Sales adjusted for currency effects rose by 13 percent.

Operating profit rose by more than 20 percent in Swiss francs and our net income increased by almost 14%. Return on sales increased from 11.1 to 12.8 percent. Since our production plants are located near Sulzer's main customers worldwide, the strong Swiss franc did not impact profitability. Return on capital employed improved to over 30 percent.

Thanks to a systematic focus on cash flow, net cash flow from operating and investing activities improved to more than 250 million Swiss francs.

Our 12'800 employees can be proud of this remarkable performance – they worked hard for it!

Let us now take a look at developments in each of our four divisions:

Sulzer Pumps was our main growth motor in 2008, both with regard to order intake and sales. Particularly important for this was strong ongoing demand in the oil and gas production and the power generation markets, where we achieved excellent results. As the largest Sulzer division, responsible for more than half of our total sales, its ROS increased to 12.8 percent.

Sulzer Metco is a world leader in surface technology, and with activities in the automobile industry, among others, it was impacted earlier and harder by the

recession than the others. While divisional sales are still practically unaffected, order intake has already declined.

Sulzer Chemtech substantially increased its separation technology and static mixer sales again in 2008, with a very high ROS of 17 percent. Demand declined due to growing caution toward year-end, however, and order intake did not match the unusually high level of prior year.

Sulzer Turbo Services, the leading independent service provider in this sector also increased sales and operating income, thereby significantly improving ROS to 9.7 percent.

Our success over the last few years was due to setting clear priorities.

We have greatly enhanced our profitability with strong growth, averaging 17 percent, through operational improvements rather than production expansion. By applying lean management principles, we have slendertized our production processes. We have furthermore concentrated on our core competencies, and systematically outsourced accordingly.

In parallel, we set up new production plants where demand rose the steepest, in other words, in fast-growing markets like China. We expanded our network of local service centers to cover additional customer locations.

We have furthermore strengthened and developed our innovation processes to cover not just individual products and services, but complete solutions for our customers. You will find various examples of this in our Annual Report.

Another important goal is to ensure the sustainability of our activities. Recently we have focused particularly on health and safety. Our aspiration is zero accidents, and we have taken numerous measures to this end. I am happy to report that we have already succeeded significantly in reducing the accident frequency rate.

With all these measures, Sulzer has laid a strong foundation in recent years for mastering the challenges of the economic crisis.

We have a strong and healthy balance sheet, with net liquidity exceeding 300 million Swiss francs. That is very important in times of financial crisis and credit restrictions.

We also have a high order backlog of more than 2 billion Swiss francs, which is of good quality. In other words, with a low risk of order cancellation. It covers more than half our annual sales, ensuring a good ongoing workload for many of our production plants.

Sulzer holds leading positions in its six main markets. Out of these, we expect the oil and gas production market to remain comparatively strong in 2009 as well as the power generation sector with its numerous large projects, while in the hydrocarbon processing industry fewer investment projects will be realized due to declining consumer demand. These three markets account for about 60 percent of Sulzer business activities in total.

Out of our other three rather smaller main markets, the economic crisis has significantly impacted the pulp and paper industry as well as the automobile industry since the end of 2008, while the aviation industry is currently stabilized by numerous new aircraft orders.

Sulzer is therefore strongly positioned to master all challenges, but sooner or later the economic crisis will also affect us significantly.

Sulzer has continuously improved, but has also benefited from positive market conditions. Three of the effects have been volume, raw material and payment term effects. Sulzer made the best out of these effects, but we also realize that this will diminish in 2009 and 2010.

Exchange rate effects, which are only translation effects, were significant in 2008 and we expect them to be significant again in 2009. Overall, we anticipate difficult years ahead, but we have prepared ourselves well.

Sulzer is led by an experienced, crisis-proven management team that will not hesitate to take the necessary measures to ensure that we stay on the right course.

As I said at the outset, Sulzer looks back on a long and rich tradition. Our business culture is deeply anchored in this tradition. Dependability, for example, is a virtue dating back to the original Sulzer Brothers and their father, who laid our foundation stone with their iron foundry in 1834.

Core values become even more important in difficult times. That is why we are not only celebrating our anniversary this year, but also focusing internally on anchoring our core values more strongly.

Our anniversary slogan "Experience Sulzer" stands for our three core values: Customer Partnership, Operational Excellence, and Committed People.

Customer Partnership is absolutely decisive for long-term success. Our goal is to exceed the expectations of our customers with innovative and competitive solutions.

We aspire to do this as a reliable partner with a high level of service, making our customers more competitive as a result.

The successes we achieved over the last few years show just how much Sulzer is appreciated by our customers. Rather than resting on our laurels, however, we strive to understand our customers' processes even more comprehensively and to keep our promises even better.

Our second core value **Operational Excellence** has taken high priority recently. I have already explained the significance of structured work processes and lean management principles for our performance.

Showing initiative and focusing on results is very important. And safety must take priority. We strive at the same time to improve continuously, by sharing knowledge and implementing best practices.

Putting these core values into practice depends decisively in the end on **Committed People**. We set high standards for ourselves and treat each other with respect. It is important at all levels to drive this accountability, be open and transparent, and work together as team players on a corporate-wide basis.

By living our core values and continuing to grow, we can preserve what has always been special about Sulzer, and further consolidate our position as the recognized leader we strive to be.

I am convinced that also in a difficult market environment, our business culture remains one of our most important success factors.

Our anniversary celebrations also express our business culture. In celebrating our rich historical tradition, we also bear witness to what Sulzer stands for today: dependability, quality, innovative solutions and sustainability.

We do this as a global corporation worldwide, in different ways at different locations, but always based on the same core values.

To give you an impression, I close with a short video of our people all over the world sharing their good wishes for Sulzer's 175th birthday. This just goes to show how much commitment, positive energy and happiness the name of Sulzer stands for.

Enjoy!